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Annex B

Theoretical Economic Studies Suggested [redacted]

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A series of studies dealing with Soviet national economic accounts, budgets, and economic capabilities would sweep aside many of the serious theoretical stumbling blocks we encounter as we push forward into unexplored or inadequately charted fields of the Soviet economy. While some limited studies on such questions can be made in ORR, our resources do not permit thorough pursuit of their ramifications. It is true that many of these topics have been suggested for consideration by the SIC Subcommittee on Economic Analysis; it is very doubtful, however, that member agencies will ever undertake extensive analysis of such topics. Therefore, even though problems of this sort may occasionally be the object of research in the intelligence community, academic research on the same subjects would be a boon to furthering ORR objectives, and it is suggested [redacted] consider farming out these topics for study [redacted]

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I. Studies dealing with national economic accounts.

- A. Strategic meaning and value of inter-temporal and inter-country national income comparisons.
- B. Meaning and construction of a unit of account for inter-country national income comparisons.
 - (1) Nature and significance of ruble exchange rates
 - (2) Meaning of exchange rates in general for the making of such comparisons
 - (3) Concept of an "international unit"
 - (4) Other price index and pricing problems as related to the USSR
- C. Meaning of the Soviet price system for national income and index number problems.
 - (1) Problems of weighting
 - (2) Valuation of output
 - (3) Exchange rate problems
- D. Statistical relation between the rate of net investment and the growth of real national income.

II. Studies dealing with budget analysis.

- A. Strategic meaning and value of inter-country comparisons of the money value of military expenditures.
- B. Intelligence value of budget analysis (nature, purposes, limitations, etc.).

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III. Studies dealing with economic capabilities for war.

- A. Meaning of economic capabilities for war.
 - (1) long run
 - (2) short run
- B. Criteria for determining strategic significance in short-run economic analysis.
 - (1) role of general economic analysis in economic warfare analysis
 - (2) scope for aggregative analysis
- C. Short and long-run analysis of the meaning of "subsistence level" within national economies as related to "economic fat" (or strategic significance).
- D. Statistical meaning and representation of "vulnerabilities."
- E. Theoretical aspects of the impact of security trade controls or other forms of interdiction upon economic capabilities of Soviet Bloc.
- F. Theoretical aspects of changes in economic capabilities of the Soviet Bloc which would result from Soviet acquisition of fringe countries.
- G. Methodological and conceptual aspects of capabilities and vulnerabilities analysis.
- H. The location of a theatre of war as a factor in economic capabilities for war of a country.
- I. Construction of an econometric model of the Soviet economy, and continuing operation thereof.
- J. Long-run economic capabilities for war of Communist China.

IV. Miscellaneous

- A. A study of Soviet economic theory:
 - (1) as an indicator of intentions
 - (2) to shed light on the working of the Soviet economy as a whole
 - (3) to discover weak spots

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- B. The extent to which resources are substitutable in the short run, particularly where large numbers of resources are involved.
- C. Aggregative analysis of the economy of Germany on the eve of World War II, and criteria for the application of strategically-significant conclusions.

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